

INCOMING TELEGRAM

T.N. Anderson
Department of State

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Action

Classification

Control: 8790

Rec'd: September 13, 1960
5:52 a.m.

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Info

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SEP 15 1960

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SEP 27 1960

TELETYPE

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Control: 8790

Rec'd: September 13, 1960
5:52 a.m.

FROM: Djakarta

TO: Secretary of State

NO: 764, September 13, 5 p.m.

Department telegram 543.*

Foreign Office presenting Embassy formal note re PL 480 deposit rate. Thajeb and Embassy hopeful will dissolve impasse deposit rate and permit continuation consideration supplemental request tobacco (DEPTEL 1840) and rice (EMBTEL 415) and request third PL 480 program (EMBTEL 186). Substance of draft note which follows may be considered unclassified.

1. New monetary regulations August 24, 1960 contained in government regulations 32, 33, 34 and 35 abolish levies on imports and exports (Puim and Peuks). Government Indonesia of opinion that question exchange rate within framework surplus Agricultural commodities agreements ceases to be issue.

2. Introduction varying percentages import duties and price components for different groups imported commodities does not imply existence of a system of multiple exchange rates. Import duties not part of foreign exchange rate but simply internal tax levied on the rupiah 45 per US dollar value of goods plus additional costs (that is, landed costs).

3. Similarly the price components levied on eighty FOB, C and F CIF value. This price component introduced to prevent speculation with available stocks and in distribution imported commodities which could well take place if price decreases made possible by new, lower levies on some goods, allowed take effect immediately. This price component interim nature as will gradually be decreased and will eventually be abolished altogether.

4. Fact that import and other duties levied on the landed cost of goods before price component added, proves that price component not part of exchange rate.

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-2- 764, September 13, 5 p.m. from Djakarta

5. Therefore, only one rate of exchange vis-a-vis the dollar for all trade transactions, rupiah 45 per US one dollar.

As matter information FONOFF pointed out new regulations establish initially three kinds of price components, namely zero percent for group I of imported commodities, 25 percent for group II and 60 percent for other commodities. These regulations also establish four different import duties, namely zero percent, 20 percent, 30 percent and 100 percent.

Embassy recommends Department accept POI position on deposit rate as outlined FONOFF note and that may 29 agreement be amended to permit deposit rate since August 25, 59 at rupiahs 45 to one US dollar.

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(*) SEE EMBTEL 543.

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INCOMING TELEGRAM *Department of State*

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NO: 889, September 22, 3 p.m.

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AGRICULTURE FROM WINBERG

Embassy telegram 186.

RMR

Department Foreign Affairs official inquiring status GOI supplemental request PL-480 rice for arrival Indonesian ports December. Official states if approval being held up pending settlement deposit rate question (Embassy telegram 764) GOI stresses willingness abide retroactively by deposit rate decision (reference telegram, point 3).

Without prejudicing original 90,000 metric tons request can Embassy inform GOI that 75,000 tons approved ISC meeting August 25? Such confirmation essential GOI in planning rice imports.

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VH:JVC/9

611.9841/9-2260

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611.984/9-1360

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SENT TO: Amembassy DJAKARTA 611.984/9-1360

REF: Embtel 764 and 889 611.984/9-2260

Interested agencies do not feel U.S. in position agree GOI assessment new exchange system resolves PL-480 impasse. GOI argument (paragraph 2 refel) that introduction ~~import subsidies~~ and price components does not result in multiple rate system does not appear well founded. Question whether imposition exchange taxes, surcharges or similar levies results in multiple rate system has arisen in connection PL 480 deposit rate/cases other countries. Key question is not name by which charge designated but its monetary ~~marketing~~ nature. GOI price component has effect of increasing units of national currency importers must pay for foreign exchange for import transactions. U.S. has also been guided by IMF interpretation of exchange rate regulations. IMF Staff Memorandum EBS/60/85 on new GOI system characterizes price components as exchange surcharges, imposition of which results in four effective rates for imports. IMF now estimates 15 percent total imports enter at 45 rate, 50 percent at 56 rate, 22 percent at 72 rate and 13 percent at 200 rate. In view foregoing appears that rate required by U.S. policy for PL-480 deposits remains 56 per dollar. We would appreciate Embassy comments and if possible receipt GOI data on imports ~~marketing~~ at various rates as promised by Thajeb (Embtel 644).

FM: R
 Ans: R
 Rev: _____

CC: Drafted by:

OSD/FN: ERCheney:erc *REC*

Telegraphic transmission and classification approved by:

Matilda L. Milne *REC*

Clearance:

SP/E - F.G.Jarvis (draft) *REC*

Agriculture - P.M.O'Leary (draft) *REC*

SEA - F.S.Wile (draft) *REC*

Treasury - T.P.Nelson (draft) *REC*

CSD - H.M.Gabbert *Information*

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Page 2 of telegram to Anembassy DJAKARTA

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Embassy should at its discretion inform GOI substance foregoing.

FYI In view of terms of consultations with other countries, USDA states it imperative obstacles be removed at once so that new agreement on rice (75,000 tons) can be signed and deliveries take place not later than December. Unless GOI can accept 56 rate which being pressed by all U.S. agencies USDA unable hold rice in view competitive demands. END FYI

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7:56 a.m.

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Info FROM: Djakarta

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UMSC NO: 968, September 28, 1 p.m.

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RMR

Thajeb, Foreign Officer, informed substance reference telegram. Said would discuss same with Leimena now Acting First Deputy Prime Minister. Hopeful of reply this week. Higher deposit rate for rice seemed main obstacle as could result increase in price to consumer and counters "Sandang Pangan" program. Pointed out to Thajeb that under PL-480, wheat flour, tobacco and third country yarn being imported at rates exceeding 45 to 1 but deposits US Government account at only 45 to 1. Thajeb stated could be difficult find funds if retroactive August 25, 1959. Information mentioned above re import rates higher than deposit rates reiterated. Also, intimation substance first paragraph DEPTEL 2229 given him.

Thajeb said difficult to obtain the import data he promised. Was surprised to see percentages of total imports to be licensed included in supplement one of EQS/60/85 as follows: 45 rate 5 percent, 56.25 rate 50 percent, and 72 rate 30 percent.

Embassy hopeful Indonesians will accept the 56.25 deposit rate effective date exchange notes.

JONES

PLH/6

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